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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, January 11

NIKKEI (Page 2) (Full)

January 12, 2010

10:01 Attended a meeting of government and DPJ leaders at the Prime Minister's Official Residence.

11:43 Visited the bookstore "Maruzen" in Marunouchi, with Deputy

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Chief Cabinet Secretary Matsui and Editorial Engineering Laboratory Chairman Seigo Matsuoka.

12:52 Had lunch with Matsui, Matsuoka and Maruzen President Takehiko Obi at a Japanese restaurant in the Marunouchi Hotel.

13:40 Talked with Matsui and Matsuoka

15:50 Arrived at the official residential quarters.

4) Chinese vice president asks for Hatoyama to visit China this year

ASAHI (Page 2) (Full)

January 12, 2010

Kenji Minemura, Beijing

Chinese Vice President Xi Jinping met yesterday with Shizuoka Gov. Heita Kawakatsu, now visiting Beijing. During the meeting, Xi sought a visit to China by Prime Minister Yukio Hatoyama before the end of the year. Referring to his Japan visit last month, the vice president said, "I thank the Japanese government and other circles for being able to deepen mutual understanding," without mentioning his meeting with the Emperor.

5) FM Okada departs for Hawaii for talks with U.S. Secretary of State Clinton

SANKEI (Page 3) (Abridged)

January 12, 2010

Foreign Minister Katsuya Okada departed from Narita Airport for Honolulu, Hawaii, on the evening of Jan. 11 for talks with U.S. Secretary of State Hillary Clinton. The Japan-U.S. foreign ministerial meeting will be held on Jan. 12 (Jan. 13, Japan time) and the two sides will engage in final coordination on the joint statement to be issued on Jan. 19 by the leaders of both countries on the occasion of the 50th anniversary of the revision of the Japan-U.S. security treaty. With regard to the pending issue of the relocation of the U.S. forces' Futenma Air Station (in Ginowan City, Okinawa), the U.S. side is demanding the early implementation of the existing relocation plan, so no major progress is expected.

This will be the third meeting between Okada and Clinton. It is an unusual meeting because Okada has flown to Hawaii specifically for the purpose of meeting Clinton, who is stopping over there on her way to visit Australia and other countries.

6) Nuclear-powered naval vessels stayed at U.S. Yokosuka base for record number of days in 2009

AKAHATA (Top play) (Excerpts)

January 12, 2010

Nuclear-powered naval vessels stayed for a record number of days in 2009 at the U.S. naval base in Yokosuka, Kanagawa Prefecture, according to data compiled by the city. The U.S. military's intention to enhance the Yokosuka base as an operational base for

nuclear-powered vessels has been revealed by the deployment of the nuclear-powered aircraft carrier George Washington and visits by large nuclear-powered submarines.

Last year, the Yokosuka base saw a nearly three-fold increase from the year 2008 in the total number of days that U.S. nuclear-powered

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vessels visited, marking 324 days, an increase of 204 days. The previous record of 244 days, marked in 1995, since the nuclear-powered submarine Snook visited the base in May 1966, has now been surpassed.

The number of visits was 23, more than double the number recorded in [2008](#).

"The number of days that nuclear-powered vessels visited has been increasing since the conventional vessel USS Kitty Hawk deployed at the Yokosuka base was replaced by a nuclear-powered aircraft carrier in September 2008," a city official of the base affairs section said.

7) Foreign Ministry panel put off disclosure of secret accord examination results

ASAHI (Page 2) (Full)  
January 12, 2010

The committee of experts, chaired by University of Tokyo Prof. Shinichi Kitaoka, which is in charge of the Foreign Ministry's examination of secret Japan-U.S. agreements on, among other things, introducing nuclear weapons, held a meeting yesterday in the ministry and decided to postpone by about one month the disclosure of the results of its examination, although it had planned to make it public in mid-January. Foreign Minister Katsuya Okada will apparently accept the panel's decision. Some committee members had claimed that they would need more time for the examination because of the enormous number of documents subject to the examination and because they are allowed to access the documents only at the ministry.

8) MOFA panel to state in planned report that many documents pertaining to Japan-U.S. secret agreements were destroyed

YOMIURI (Page 1) (Full)  
January 12, 2010

The experts' committee of the Ministry of Foreign Affairs (MOFA) (chaired by Tokyo University Professor Shinichi Kitaoka) for investigating the "secret agreements" between Japan and the United States on the introduction of nuclear arms into Japan and other matters concluded at a meeting on Jan. 11 that it is highly possible that many documents attesting to these secret agreements have been destroyed. The panel plans to point out the sloppiness of MOFA's archiving of documents in its report. However, it appears that the documents were discarded based on ministry rules, so the report will not touch on the personal responsibility of senior officials. This issue will be left for Foreign Minister Katsuya Okada to decide on.

Before the experts' committee began its investigation, MOFA's internal investigation failed to find a document allegedly signed by then Foreign Minister Aiichiro Fujiyama and U.S. Ambassador to Japan Douglas MacArthur II in 1960, at the time of the revision of the bilateral security treaty, on exempting U.S. vessels with nuclear arms onboard calling on Japanese ports from the "prior consultation" requirement. However, a draft of this document without Fujiyama's and MacArthur's signatures was found. Some documents pertaining to the other secret accords have also been made public in the U.S.

Therefore, the panel reckons that: "The same documents must exist in

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MOFA. There is evidence that many documents pertaining to the secret agreements have been destroyed. It is highly possible that MOFA

officials destroyed them before the enforcement of the information disclosure law in April 2001 for fear that the secret agreements might be revealed."

9) MOFA panel says producing report on Japan-U.S. secret agreements in January would be difficult

NIKKEI (Page 2) (Full)  
January 12, 2010

At a meeting on Jan. 11, the experts' committee (chaired by Tokyo University Professor Shinichi Kitaoka) set up by Foreign Minister Katsuya Okada to examine a number of secret agreements between Japan and the United States, including one on the introduction of nuclear weapons, agreed that it would be difficult to produce a report in January as originally planned. This is because it will take more time to verify documents and interview former Ministry of Foreign Affairs (MOFA) officials. The committee plans to complete the report in February.

At the meeting, MOFA officials distributed copies of a document kept by family members of the late Prime Minister Eisaku Sato regarding the secret agreement on the re-introduction of nuclear arms during the negotiations on Okinawa's reversion to Japanese administration. Committee members concluded that this document substantiates the existence of the secret agreement.

Based on work done by the committee so far, its members are leaning toward concluding that secret agreements did exist on: (1) port calls and passage through territorial sea by ships carrying nuclear weapons; (2) free use of U.S. military bases in Japan in a contingency in Korea; and (3) re-introduction of nuclear arms into Okinawa.

10) JAL, Delta expected to form tie-up

MAINICHI (Page 2) (Excerpts)  
January 12, 2010

Cash-strapped Japan Airlines is now likely to tie up with the world's largest carrier, Delta Air Lines, and to move from the global airline alliance Oneworld to Skyteam. American Airlines has also proposed increasing the amount of its capital investment in JAL, but JAL and the Land, Infrastructure, Transport and Tourism Ministry have inclined toward Delta. The Enterprise Turnaround Initiative Corporation of Japan has also begun to recommend Delta as JAL's partner. The new leadership to be put in place after the turnaround body determines reconstruction measures will formally decide the carrier with which JAL should form a tie-up.

Based on the open skies agreement reached between the Japanese and U.S. governments in December, JAL and Delta are expected to apply for antitrust immunity.

Delta has secured many profitable routes between the U.S. and Japan and between the U.S. and other Asian countries. Many people anticipate that forming a tie-up with Delta will bring more long-term benefits for JAL (than a tie-up with American Airlines) in terms of standardized airfares and coordination of flight schedules.

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If JAL moves to Skyteam, its share of passengers for the routes between Japan and the U.S. will exceed 60 PERCENT. Therefore, American Airlines, which belongs to Oneworld, has asserted: "U.S. authorities will not approve JAL's transfer to Skyteam." Meanwhile, Delta has rebutted the criticism, noting that since Star Alliance members have a considerably large share, competition will not be undermined.

11) JAL turnaround with focus on international flight routes

NIKKEI (Page 3) (Abridged)  
January 12, 2010

Japan Airlines will aim at reconstructing its management under the Corporate Rehabilitation Law. The focus of the process will be on a business strategy. That is because while the restructuring of its financial affairs, personnel matters and a reduction in flight routes is expected to make headway, the future image of the carrier is not yet in sight. In the aviation industry, while passenger demand is flagging in industrialized countries, centered on Japan, the U.S. and European countries, it is expected to expand in emerging countries. Amid intensifying competition among flag-carriers, it is imperative for JAL to map out a business strategy with a focus on international flights.

JAL will file for a petition for protection with the court under the Corporate Rehabilitation Law. Enterprise Turnaround Initiative Corporation of Japan (ETIC), which will help the carrier, will take charge of the drafting of a rehabilitation plan. Since ETIC has thus far been prioritizing the carrier's fiscal reconstruction, the drafting of a specific business plan has lagged behind.

Earnings from international flight operations fluctuate more greatly than do revenues from domestic operations. This is because economic conditions, terrorism, epidemics, events like the Olympic Games, and relations with other countries - whether Japan has friendly relationships with them or not -- affect earnings from international flights. As such, the prevailing view is that one of the following three types of carriers can survive: (1) Mega carriers with major networks both for international and domestic flights; (2) low-cost carriers that specialize in one or two highly profitable international routes; or (3) carriers specializing in domestic flights.

Which type will JAL aim to become? The prevailing view in the Transport Ministry is to use the occasion of legal liquidation to turn JAL into an internationally competitive carrier. On the other hand, some government officials, who attach importance to reducing the public financial burden, are calling on JAL to largely relinquish the global market to All Nippon Airways by slashing its international operations.

12) JAL credit line set at 800 billion yen: Stock likely to be delisted

YOMIURI (Top play) (Excerpts)  
January 12, 2010

Enterprise Turnaround Initiative Corporation of Japan (ETIC) and the Development Bank of Japan (DBJ), which are in charge of the Japan Airline's (JAL) management reconstruction process, on Jan. 11

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started coordinating views in order to prepare 800 billion yen in total to cope with cash outflow in conjunction with the carrier's filing a petition for protection with the court under the Corporate Rehabilitation Law. JAL's stock is likely be delisted to clarify the responsibility of stockholders as the owners of the company. The government intends to decide on its policy for supporting the turnaround body on Jan. 12 by calling in executives of megabanks and obtaining their cooperation for the legal liquidation of JAL.

JAL intends to apply for protection with the court under the Corporate Rehabilitation Law as early as the 19th. There is a strong possibility that the carrier's cash payments to its business partners, including overseas companies, will temporarily balloon due to credit uncertainty. The government and the turnaround body have determined that it will be necessary to prepare sufficient funds to address the situation.

To be precise, ETIC will prepare a credit line worth 400 billion yen for JAL by procuring funds on its own. The DBJ will create yet another credit line worth 200 billion yen. It has already set up a credit line for bridge financing worth 200 billion yen, of which 145 billion yen remains unused.

13) Ordinary Diet session to open on Jan. 18: Rough seas ahead

NIKKEI (Page 2) (Excerpts)

January 12, 2010

The government and the Democratic Party of Japan (DPJ) decided at a leaders' meeting yesterday to work hard to pass the fiscal 2010 budget bill within this fiscal year at the ordinary Diet session scheduled to open on Jan. 18. The premise is that the second supplementary budget for fiscal 2009 should be enacted before the end of the month. The opposition camp is poised to call for thorough deliberations on the politics-and-money scandals involving Prime Minister Yukio Hatoyama and DPJ Secretary General Ichiro Ozawa. The upcoming Diet session is expected to face rough seas from the outset.

#### Political events

Jan. 18 Start of ordinary Diet session  
Late January Deliberations at Budget Committee on second supplementary budget for fiscal 2009  
Jan. 27-31 Annual assembly of World Economy Forum (Davos Conference, Switzerland)  
End of January? Enactment of supplementary budget  
Feb. 5-6 Meeting of Group of Seven (G-7) finance ministers and central bank governors (Canada)  
Early February Start of deliberations on fiscal 2010 budget bill at Lower House  
Late February-Early March Deliberations in Lower House on fiscal 2010 budget bill expected to reach crucial stage  
After March Enactment of fiscal 2010 budget. Focus to be shifted to bills linked to DPJ's policy manifesto  
June 16 End of Diet session  
July 11? Day of Upper House election? (if Diet session is not extended and if election is carried out on Sunday)  
14) Government to submit bill on suffrage for permanent foreign residents

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ASAHI (Top Play) (Excerpts)  
January 12, 2010

Government and the Democratic Party of Japan (DPJ) leaders met yesterday and agreed to submit a bill to grant permanent foreign residents local voting rights to the ordinary Diet session scheduled to be convened on Jan. 18. They also decided to submit bills amending relevant laws to allow the appointment of 15 more senior vice ministers and parliamentary secretaries

Prime Minister Yukio Hatoyama, DPJ Secretary General Ichiro Ozawa, and others attended the meeting.

In a similar meeting held in November, the participants agreed to leave the issue of foreigners' suffrage in Ozawa's hands. In a speech in South Korea in December, Ozawa indicated that it should be a bill not sponsored by House members but by the government. In the meeting yesterday, too, Ozawa said: "In light of relations between Japan and South Korea, the government should handle the matter." The government side accepted Ozawa's proposal. Chief Cabinet Secretary Hirofumi Hirano has already instructed Internal Affairs Minister Kazuhiro Haraguchi to prepare a suffrage bill.

If the bill is submitted to the Diet, the New Komeito and the Japanese Communist Party, both of which have insisted on the need to allow permanent foreign residents to vote in elections, are expected to vote for the bill. Yet, some DPJ members are calling for caution about granting foreigners local voting rights, although the Social Democratic Party in the ruling camp favors the measure. In addition, the People's New Party has expressed its opposition, so discussion on the legislation in the ruling coalition might heat up.

When the DPJ was preparing a lawmaker-initiated bill, the premise was that the voting right should be given only to those with nationality of countries with which Japan has established diplomatic relations and those who come from countries with equivalent conditions. In this case, the possibility is high that people who come from the Korean Peninsula or their descendants but have no

South Korean nationality will not be covered by the law. The right to run for election, however, is unlikely to be included in the suffrage legislation.

15) Number of prime minister's advisers to be doubled to 10; senior vice-ministers and parliamentary secretaries to be increased by 15

TOKYO SHIMBUN (Page 2) (Excerpts)  
January 12, 2010

The government and the Democratic Party of Japan held a leaders' meeting at the Prime Minister's Official Residence (Kantei) yesterday and decided to increase the total number of senior vice ministers and parliamentary secretaries by 15 to strengthen the politician-led decision-making system. They also decided to raise the maximum number of advisers to the prime minister, now set at five, to 10 by increasing the private-sector slot. They are aiming to submit related bills to the next regular Diet session to be convened on Jan. 18.

Specifically, the number of senior vice ministers will be increased by three and that of parliamentary secretaries by 12. Included in them is an additional deputy chief cabinet secretary for parliamentary affairs (on the senior vice-minister level). The

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person in that post will be tasked with serving concurrently as chief of the National Policy Unit that will be upgraded from the national policy office. At the same time, a post for a national policy officer at the level of parliamentary secretary will be established.

The number of Diet members who can join the government (currently set at 74) under the law will be 89. Prime Minister Yukio Hatoyama will explain this policy at a cabinet meeting today.

16) LDP's Masuzoe: We must abide by 70-year-old retirement rule

NIKKEI (Page 2) (Full)  
January 2010

Asked by reporters about whether the 70-year-old retirement rule should be applied to candidates for the proportional representation segment in the upcoming House of Councillors election, Yoichi Masuzoe, a member of the main opposition Liberal Democratic Party (LDP) and former health and welfare minister, said, "We must observe the rule because we decided on it." His comment indicated that the LDP should forgo endorsing such veteran politicians as Taku Yamasaki, former LDP president, 73, and former internal affairs minister Toranosuke Katayama, 74, as official LDP candidates for the Upper House election in the summer. Yamasaki and Katayama have expressed their willingness to run in the election. Masuzoe, also in a speech delivered in Tokyo yesterday, stated, "The LDP's historical role has ended. We can't keep replaying a disk that is full of static," implying his intention to form a new party that can compete with the Democratic Party of Japan (DPJ).

17) Public-private cooperation based on Asia strategy

NIKKEI (Page 5) (Excerpts)  
January 12, 2010

Sho Baba, Jakarta

Collaboration between the public and private sectors has been realized for the first time under the Democratic Party of Japan-led government based on its Asia strategy, which will become a pillar of new growth for Japan. Economic, Trade and Industry Minister Masayuki Naoshima and Japan Business Federation (JBF or Nippon Keidanren) Chairman Fujio Mitarai reached an agreement yesterday with the Indonesian government to promote the development of Indonesian infrastructure. There was a rift between the government and JBF following the inauguration of the DPJ government, but the government and JBF are now set to cooperate in Asia, which is leading global growth.

Prime Minister Yukio Hatoyama and President Susilo Bambang Yudhoyono met late last year and agreed to strengthen the bilateral economic relationship between Japan and Indonesia. Based on this agreement, the two countries held a forum of economic ministers and business leaders. The Hatoyama government has formulated a policy of placing importance on Asia and the environment in its new growth strategy and views strengthening ties with Indonesia as the first step to that end.

Naoshima, Mitarai, Indonesian State Minister for the Environment Gusti Muhammad Hatta, who is in charge of economic affairs, and other officials attended the meeting. They released a joint

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statement calling for bilateral cooperation in such areas as the development of infrastructure, trade and investment, energy development, and the environment. In connection with infrastructure development, which is the focus of cooperation efforts, the two countries will push forward with a study of development in six regions, including Sumatra and Java. Japan expressed its intention to support the Indonesian Economic Development Corridor project aimed at building electric power plants, ports and harbors, and railroads in areas surrounding major cities, as well as developing coal and food industries in each region.

18) Kan, Geithner confirm stability of foreign exchange market over telephone

SANKEI (Page 11) (Abridged slightly)  
January 12, 2010

Deputy Prime Minister and Finance Minister Naoto Kan spoke with U.S. Treasury Secretary Timothy Geithner on the phone last night. In the telephone conversation, the two ministers confirmed a statement released by the G-7 finance ministers and central bank governors noting that it is desirable to maintain the stability of the foreign exchange market.

They also promised to attend a G-7 meeting to be held in Canada in early February and hold Japan-U.S. finance ministerial talks. In addition, Kan reportedly explained the basic policy on the growth strategy formulated by the government late last year. The two ministers are also believed to have agreed to cooperate on fiscal and monetary policies, in addition to foreign exchange policies.

The telephone discussion was requested by the Japanese side in order to allow Kan to introduce himself to Geithner as the successor to former Finance Minister Hirohisa Fujii. Although Kan had held talks with Geithner as deputy prime minister and state minister for national policy during the Treasury Secretary's visit to Japan last November, it was Kan's first (telephone) meeting with his U.S. counterpart as finance minister.

After the telephone conversation, Kan said, "We discussed that it is desirable to maintain the stability (of the exchange market)."

During his first press conference as finance minister on Jan. 7, Kan called for a weaker yen, stirring up controversy. There is a possibility that the Kan-Geithner telephone meeting will also spark market speculation.

19) Poll: 85 PERCENT see need for further explanation from Ozawa about land purchase issue; cabinet support remains flat

TOKYO SHIMBUN (Top play) (Abridged)  
January 12, 2009

Kyodo News conducted a telephone-based nationwide public opinion survey on Jan. 10-11, in which 85.4 PERCENT of respondents said Ichiro Ozawa, secretary general of the ruling Democratic Party of Japan, has yet to provide a sufficient explanation in connection with his fund-managing body's purchase of land. In the survey, respondents were further asked what they thought Ozawa should do if his former secretary or others involved were prosecuted over the issue. In response to this question, 35.1 PERCENT answered that Ozawa should resign from his party post, and 25.3 PERCENT insisted

that he should resign from his Diet membership. These figures reveal the public's harsh view of the matter.

The public approval rating for the Hatoyama cabinet was 50.8 PERCENT , up 3.6 percentage points from the last survey conducted at the end of last year. Public support remained almost flat. The disapproval rating was 33.2 PERCENT . Asked about Finance Minister Naoto Kan, 59.0 PERCENT said they had high expectations for him, while 35.2 PERCENT said they did not.

When asked whether Ozawa has provided a sufficient explanation on the land purchase issue, 8.6 PERCENT answered "yes." In a relevant question asking about how Ozawa should take responsibility if someone connected to his fund-managing body is prosecuted, 34.6 PERCENT answered that he has only to provide a full explanation and take steps to improve the situation.

In the breakdown of public support for political parties, the DPJ stood at 38.7 PERCENT , up 2.6 points from the last survey. Meanwhile, the leading opposition Liberal Democratic Party was at 17.3 PERCENT , down 6.4 points. As seen from these figures, the gap between the two parties has become wider than in the previous survey. Among other political parties, the New Komeito was at 3.4 PERCENT , the Japanese Communist Party at 2.9 PERCENT , the Social Democratic Party at 3.0 PERCENT , the Your Party at 2.7 PERCENT , the People's New Party at 0.1 PERCENT , and the New Party Nippon at 0.4 PERCENT . "None" accounted for 30.6 PERCENT .

ROOS